

No.6/5/DPM

Jakarta, February 16, 2004

CIRCULAR LETTER

To

BANKS, SECURITIES BROKERS/DEALERS, AND

RUPIAH AND FOREIGN EXCHANGE MONEY MARKET BROKERS

Subject: Implementation and Settlement of Bank Indonesia Rupiah Deposit Facility (FASBI)

With regards to the enactment of Bank Indonesia Regulation Number 4/9/PBI/2002 dated November 18, 2002 concerning Open Market Operation (State Gazette of The Republic of Indonesia Number 126 of 2002, Supplement to State Gazette Number 4243) as amended by Bank Indonesia Regulation Number 6/4/PBI/2004 dated February 16, 2004 (State Gazette of The Republic of Indonesia Number 17 of 2004, Supplement to State Gazette Number 4365) and Bank Indonesia Regulation Number 6/2/PBI/2004 dated 16 February 2004 concerning Bank Indonesia - Scripless Securities Settlement System (State Gazette of The Republic of Indonesia Number 15 of 2004, Supplement to State Gazette Number 4363), it is considered necessary to prescribe regulations on the implementation and settlement of the Bank Indonesia Rupiah Deposit Facility in a Bank Indonesia Circular Letter as follows :

I. GENERAL PROVISIONS

The terminologies used in this Circular Letter shall have the following meanings :

1. Bank...

1. Bank is a commercial bank as stipulated in Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998 which performs its business activities based on conventional principles.
2. Open Market Operations, hereinafter referred to as OMOs, are transactions in the money market carried out by Bank Indonesia with Banks and other parties in the framework of monetary control.
3. Bank Indonesia Rupiah Deposit Facility, hereinafter referred to as FASBI, is a facility provided by Bank Indonesia for Banks to place their funds in Bank Indonesia.
4. Demand Deposit Account is a Bank's Rupiah Demand Deposit account at Bank Indonesia.
5. Bank Indonesia - Real Time Gross Settlement System, hereinafter referred to as the BI-RTGS System, is a rupiah electronic fund transfer system among Participants with instant settlement for each individual transaction.
6. Bank Indonesia - Scripless Securities Settlement System, hereinafter referred to as the BI-SSSS, is a facility for doing transactions with Bank Indonesia including its administration and electronic securities administration which is directly connected among Participants, Operator, and BI-RTGS System.
7. Fund Settlement is the transfer of funds between holders of Rupiah Demand Deposit accounts in Bank Indonesia through the BI-RTGS System for the purpose of Securities Settlement through BI-SSSS.
8. Brokers are Rupiah and foreign exchange money market brokers and securities brokers/dealers appointed by Bank Indonesia.

II. FASBI CHARACTERISTICS, PRINCIPLES AND TERMS

A. Characteristics

1. The tenor of FASBI shall be a maximum of 7 (seven) days beginning on the settlement date until the maturity date.
2. FASBI transaction shall be conducted under a discount system
3. The cash value of the transaction shall be calculated based on the true discount formula as follows :

$$\text{Cash Value} = \frac{\text{Nominal Value} \times 360}{360 + \{(\text{Discount Rate}) \times (\text{Tenor})\}}$$

4. The Discount Value of the transaction shall be calculated as follows:

$$\text{Discount Value} = \text{Nominal Value} - \text{Cash Value}$$

5. FASBI may not be traded, pledged as collateral, or redeemed prior to maturity.

B. Principles and Requirements

1. Bank Indonesia may provide FASBI anytime considered necessary.
2. Bank Indonesia shall announce the availability of FASBI through BI-SSSS and or the Money Market Information Center (PIPU) and or other facilities designated by Bank Indonesia no later than the day the FASBI will be provided and shall state, among others, the tenor, discount rate, transaction time (session), and settlement time.

3. If...

3. If deemed necessary, Bank Indonesia may set a transaction closing time which is earlier than the announced transaction time and or the additional transaction time as referred to in point 2.
4. Participants of FASBI transactions are categorized as follows :
 - a. Direct Participants, i.e. Banks and Brokers placing bids for FASBI transactions directly to Bank Indonesia.
 - b. Indirect Participants, i.e. Banks placing bids for FASBI transactions to Bank Indonesia through a Broker.
5. A Bank may only place FASBI bids for its own account.
6. A Broker is prohibited from placing FASBI bids for its own account.
7. A FASBI transaction Participant shall be responsible for the accuracy of the data used in placing FASBI bids.
8. A FASBI transaction Participant shall not be under sanction of a temporary or permanent discharge as a BI-SSSS participant.
9. Bank Indonesia will only accept FASBI transaction bids from direct participants according to FASBI transactions bid data sent through the BI-SSSS.
10. Bank Indonesia will conduct the Fund Settlement for the FASBI transactions on the day of the transactions (same day settlement).
11. Banks, both as direct and indirect participants, will be required to provide the funds in the amount of accepted FASBI transactions for all transactions time (sessions) up to the cut-off warning of the BI-RTGS System.

III. MECHANISM...

III. MECHANISM OF FASBI TRANSACTION BIDS

1. Bank Indonesia shall provide FASBI in accordance with the announced FASBI availability as referred to in point II.B.2 and or II.B.3.
2. During the transactions period as referred to in point II.B.2. and or point II.B.3., direct participants shall place their bids for FASBI to the Money Market Operation Division, Directorate of Monetary Management (OPU-DPM) through the BI-SSSS.
3. The bids for FASBI transactions as referred to in number 2 shall cover the quantity and discount rate for each FASBI tenor.
4. Quantity bids for FASBI from each FASBI transaction participant shall be no less than Rp1,000,000,000 (one billion rupiah) and the remainder shall be in a multiplication of Rp 100,000,000 (one hundred million rupiah).
5. The mechanism of bid placement for FASBI transactions through the BI-SSSS shall be in accordance with the procedures referred to in the prevailing Circular Letter(s) concerning the BI-SSSS.
6. Bank Indonesia shall announce the FASBI transactions bids accepted to direct participants through the BI-SSSS.

IV. TRANSACTION SETTLEMENT AND FASBI REDEMPTION

1. Bank Indonesia will conduct FASBI Fund Settlement immediately after the FASBI transaction session ends by debiting the Rupiah Demand Deposit Account of the concerned Bank.

2. In the

2. In the event that a Bank does not have sufficient balance in its Demand Deposit Account to cover all of its Fund Settlement liabilities by the cut-off warning time of the BI-RTGS System, then the concerned Bank's FASBI transaction will be canceled.
3. The cancellation of the transaction as referred to in number 2 will only be applied on each session of FASBI transaction in which full Fund Settlement could not be conducted. For the cancellation, the Bank will be imposed with a sanction. Examples of FASBI transaction cancellations are available in Attachment 1.
4. Bank Indonesia will redeem the FASBI at the maturity date of the FASBI by crediting the Demand Deposit Account of the concerned Bank.
5. The Fund Settlement Mechanism of FASBI transaction and the redemption of FASBI through the BI-SSSS are performed under the procedures referred to in the prevailing Circular Letter(s) concerning the BI-SSSS.

V. SANCTION IMPOSITION MECHANISM

1. In the event of a FASBI transaction cancellation as referred to in point IV.3., the concerned Bank will be imposed with the following sanctions:
 - a. a written warning referred to in Attachment 2 with copies to :
 - 1) The relevant Directorate of Bank Supervision, in the event that the sanction is imposed on a Bank having a head office in the working area of Bank Indonesia Head Office (KPBI); or

2) The ...

- 2) The Bank Supervision Team – Bank Indonesia Regional Office (KBI), in the event that the sanction is imposed on a Bank having a head office in the working area of a Bank Indonesia Regional Office (KBI), and
 - b. payment obligation of 1⁰/₀₀ (one per thousand) of the nominal value of the canceled FASBI transaction or a maximum of Rp 1,000,000,000 (one billion Rupiah).
 - c. temporary discharge from participating in OMO activities for 5 (five) working days if the Bank receives a written warning for the third time in a period of 6 (six) months due to FASBI and or SBI in a primary market and or SBI Repo with Bank Indonesia transaction cancellations according to prevailing regulations.
2. The delivery of a written warning as referred to in point 1.a and the notification of the sanction of temporary suspension from participating in Open Market Operation activities as referred to in point 1.c will be made 1 (one) working day after the transaction cancellation.
3. Payment obligation sanction referred to in point 1.b will be executed by debiting the Bank's Demand Deposit Account at Bank Indonesia 1 (one) day after the transaction cancellation.

VI. CONCLUDING PROVISIONS

With the enactment of this Circular Letter, Bank Indonesia Circular Letter Number 5/10/DPM dated June 10, 2003 concerning Implementation and Settlement of Bank Indonesia Deposit Facility in Rupiah (FASBI) in the framework of the Open Market Operation and Bank Indonesia Circular Letter Number 5/16/DPM dated August 6, 2003 concerning.....

concerning Amendment to Bank Indonesia Circular Letter Number 5/10/DPM dated June 10, 2003 concerning Implementation and Settlement of Bank Indonesia Deposit Facility in Rupiah (FASBI) in the framework of the Open Market Operation are declared no longer valid.

The provisions in this Circular Letter shall come into force on February 16, 2004.

For the public to be informed, this Circular Letter shall be promulgated by publishing it in the State Gazette of the Republic of Indonesia.

Please be informed accordingly.

BANK INDONESIA,

BUDI MULYA
DIRECTOR OF MONETARY MANAGEMENT